

Message Text

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TAGS: EINV, BG, US

SUBJECT: NATIONALIZATION COMPENSATION CLAIMS AND COOLEY LOANS

REF: (A)IDACCA 3278; (B) DACCA 3346; (C) STATE 185996;

(D) DACCA 3944; (E) 75 DACCA 5984

SUMMARY. INDICATING THAT HE WAS ACTING AT GENERAL ZIA'S REQUEST IN RESPONSE TO APPROACH AMBASSADOR HAD MADE TO THE GENERAL JUNE 24 ON OUR CLAIMS FOR NATIONALIZED PROPERTIES AND COOLEY LOANS (REFTEL A), FINANCE SECRETARY SYEDUZZAMAN MET AUGUST 5 WITH AMBASSADOR AND ECONOMIC COUNSELOR TO REVIEW BDG POSITION. THIS POSITION SEEMED TO REFLECT MODEST MOVEMENT FORWARD ON CLAIMS OF INSURANCE COMPANIES AND ON COOLEY LOANS, BUT NO CHANGE ON BELBAGCO CLAIM. END SUMMARY.

1. NATIONALIZATION COMPENSATION CLAIMS.

(A) BELBAGCO. FINANCE SECRETARY REVIEWED BDG POSITION ALONG LINES OF INDUSTRIES SECRETARY'S JUNE 25 LETTER TRANSMITTED REFTTEL (B), NOTING SPECIFICALLY THAT PAKISTAN FABRICS WAS A "PAKISTAN-BASED" COMPANY WHICH BDG BQAD TO TREAT AS AN "ABANDONED PROPERTY." LATER, SECRETARY EXPLAINED THAT "LEGAL PROBLEMS" WERE CLOSELY TIED UP WITH BDG CLAIMS AGAINST PAKISTAN AND THE NEED TO AVOID A PRECEDENT WHICH COULD OPEN WAY FOR WEST PAKISTANIS TO SEEK TO RECOVER FORMER PROPERTY IN BANGLADESH.

(B) INSURANCE COMPANIES. FOREIGN INSURANCE COMPANIES WERE "ELIGIBLE" TO PRESENT CLAIMS, SECRETARY SAID, AND COMMERCE MINISTRY

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NEEDED ONLY TO RECEIVE RESPONSE TO ITS REQUEST FOR ADDITIONAL IN-

FORMATION TO RECONCILE "NUMBERS" WITH THOSE AT BDG INSURANCE CORPORATIONS TO MOVE AHEAD WITH PROCESS, WHICH NOW MERELY "MECHANICAL." SECRETARY SAID ACTUAL PROCEDURE FOR COMPENSATING INSURANCE FIRMS WOULD BE ANNOUNCED "VERY SOON," BUT AFTER CHECKING BY TELEPHONE WITH COMMERCE MINISTRY, DID NOT OFFER A MORE SPECIFIC TIMETABLE FOR SUCH AN ANNOUNCEMENT.

(C) COOLEY LOANS. SECRETARY RECALLED THAT SQUIBB, WHICH WAS A "DACCA-BASED" FIRM, WAS MAKING LOAN PAYMENTS, WHILE BANGLADESH SERVICES (INTERCONTINENTAL HOTEL) AND BANGLADESH FABRICS LTD (BELBAGCO) HAD HAD THEIR HEAD OFFICES IN WEST PAKISTAN. THIS HAD RAISED CERTAIN "TECHNICAL AND LEGAL" DIFFICULTIES, BUT BDG HAD DECIDED THAT THESE TWO FIRMS COULD BE TREATED AS "PROJECTS VISIBLY LOCATED IN EAST PAKISTAN." ACCORDINGLY, SECRETARY SAID, THE BDG WILL ASK THE TWO CONCERNS TO ENTER INTO DISCUSSIONS WITH MISSION OFFICIALS FOR RESCHEDULING THE COOLEY LOANS. HOWEVER, SECRETARY HAD TWO REQUESTS: FIRST, THAT USG TAKE INTO ACCOUNT FINANCIAL CAPABILITIES OF EACH FIRM IN RESCHEDULING COOLEY LOAN REPAYMENTS; AND SECOND, THAT USG "REINVEST" THE FUNDS IN SOME AID OR TECHNICAL ASSISTANCE PROJECTS, AND NOT REPATRIATE THE REPAYMENTS.

2. AMBASSADOR EXPRESSED APPRECIATION FOR GENERAL ZIA'S ACTION AND SECRETARY'S OWN WORK IN FOLLOWING UP HIS APPROACH TO ZIA, AND WELCOMED BDG POSITION ON INSURANCE. AMBASSADOR EMPHASIZED, HOWEVER, THAT LONG FOUR-YEAR HISTORY OF USG APPROACHES TO BDG FOR COMPENSATION WITH NO RPT NOT ACTUAL PAYMENTS TO US FIRMS TO DATE, HAD CREATED MOOD OF FRUSTRATION AND IMPATIENCE BOTH HERE AND IN WASHINGTON. THE MATTER WAS ESPECIALLY FRUSTRATING IN LIGHT OF THE RELATIVELY SMALL AMOUNTS INVOLVED. THESE CLAIMS COULD NOT BE PAID BY THE USG AND WERE WHOLLY SEPARATE FROM ASSISTANCE FLOWS, BUT THERE WERE LAWS ON THE BOOKS THAT RELATED THE TWO. MOREOVER, THE BDG'S ATTITUDE WAS, IF WE MIGHT SAY SO, SHORTSIGHTED SINCE IT WAS IN BDG'S OWN INTEREST TO CLEAR AWAY THESE MINOR CLAIMS AS AN IMPORTANT MEANS OF ENCOURAGING INVESTMENT IN BANGLADESH. THE CLAIMS, ACCORDINGLY, MUST NOT BE LEFT UNRESOLVED. WE THEN RESPONDED TO SPECIFIC CASES, AS FOLLOWS:

(A) BELBAGCO. AMBASSADOR DREW ON REFTEL (C) EMPHASIZING THAT PRESENT BDG POSITION WAS ONE USG COULD NOT ACCEPT AND AFTER DISCUSSION, MATTER WAS LEFT AS REPORTED PARA 3 REFTEL (D), I.E., THAT USG WOULD RESPOND TO INDUSTRIES SECRETARY'S JUNE 25 LETTER, LIMITED OFFICIAL USE

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TO PRESENT US VIEW OF BELBAGCO CLAIM AND US CHARACTER OF THIS INVESTMENT.

(B) INSURANCE COMPANIES. WE NOTED THAT THERE NO NECESSARY CONNECTION BETWEEN ANNOUNCEMENT OF A COMPENSATION PROCEDURE AND ANY US RESPONSE TO THE NOVEMBER, 1975 REQUEST FOR DETAILED INFORMATION. HOWEVER, WE WOULD AGAIN CHECK INTO THIS MATTER. NOTE: IF EITHER AIU OR AFIA WISH TO PRESENT CLAIMS, THEY MAY DO SO BY RESPONDING TO THE MINISTRY OF COMMERCE'S REQUEST FOR INFORMATION:

(75 DACCA 5984). THE EMBASSY HAS ON FILE A JANUARY 8 LETTER FROM AFIA TO NEA/PAB, STATING THAT AFIA DOES NOT PROPOSE TO SUBMIT ANY FIGURES, BECAUSE AFIA DID NOT HAVE QUOTE SUFFICIENT TANGIBLE ASSETS TO WARRANT ENTERING A PROPERTY CLAIM UNQUOTE. THE EMBASSY HAD PRESENTED AIU'S CLAIM (FOR TAKA 1,001,777) TO THE COMMERCE MINISTRY IN MAY, 1974 AND RECEIVED ASSURANCES THEN THAT THE CLAIM WOULD NOW BE "PROCESSED." (74 DACCA 2452) WE ASSUME AIU WISHES TO PROCEED WITH ITS CLAIM, BUT IN ABSENCE IN OUR FILES OF COPIES OF INFORMATION ORIGINALLY PRESENTED, WE CANNOT JUDGE TO WHAT EXTENT AIU HAS ALREADY FULFILLED THE BDG REQUEST TRANSMITTED REFTEL (D). WE SUGGEST DEPARTMENT CHECK WITH AIU AND ADVISE US ACCORDINGLY.

(C) COOLEY LOANS. ECON COUNSELOR NOTED THAT PRINCIPAL AMOUNTS OUTSTANDING ON THESE TWO LOANS WERE ABOUT TAKA THREE MILLION EACH (\$200,000 EQUIVALENT), AND THAT THE TAKA REPAYMENTS WERE NOT CONVERTIBLE INTO DOLLARS. HOWEVER, IN ACCORDANCE WITH ORIGINAL PL-480 AGREEMENTS, US LAW AND REGULATIONS, US MISSION DACCA WOULD SPEND REPAYMENTS TO MEET LOCAL CURRENCY EXPENDITURES. ECON COUNSELOR NOTED THAT IT APPARENT INTERCONTINENTAL HOTEL ABLE MAKE PAYMENTS, INCLUDING ARREARS, WITHOUT RESCHEDULING. BANGLADESH FABRICS MIGHT NEED SOME RESCHEDULING, ALTHOUGH IN VIEW OF RELATIVELY SMALL SUMS INVOLVED, FIRM MIGHT WELL ALSO PAY ON SCHEDULE. IT WAS LEFT THAT SECRETARY WOULD DIRECT COMPANIES TO DISCUSS REPAYMENT ARRANGMENTS WITH US MISSION AND THAT ECON COUNSELOR WOULD FOLLOW UP WITH PLANNING COMMISSION JOINT SECRETARY FAKHRUDDIN AHMED.

3. COMMENT. WE BELIEVE THAT THE BDG GENUINELY WISHES TO CLEAR UP THIS SET OF ISSUES, BUT IF PAST PRACTICE IS A GUIDE, THEY WILL NOT MOVE VERY RAPIDLY. HOWEVER, ACTION ON SOME POINTS NOW RESTS WITH THE USG. SPECIFICALLY, WE NEED A RESPONSE TO OUR REQUEST FOR GUIDANCE ON OUR REPLY ON BELBAGCO (PARA 3, REFTEL D); AND THE INFORMATION FROM AIU (PARA 2C ABOVE), IF THEY STILL WISH TO PURSUE THEIR CLAIM.

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